

School Food Service Related Programs

School Food Authority Services Offered

In the environment of today's child nutrition programs, SFAs frequently face the decision to expand their services beyond the provision of the School Breakfast Program, National School Lunch Program, Afterschool Snack Program, and Summer Feeding Program. The additional areas of service being offered by many SFAs may be classified either as "Expanded Program Activities" or as "Non-Program Activities". Child nutrition program regulations and guidelines must be considered when SFAs expand their area of service.

Expanded Program Activities

Expanded program activities include school food service managed

- a la carte service to students or
- a la carte or meal service to district personnel and occasional visitors from outside the school district such as parents.

These services may be provided in the form of additional sales to adults and students from the standard reimbursable meal line, special lines, canteen areas offering a la carte items, or meals catered at school organization functions that include students in attendance at the function. Although these services do not involve provision of a reimbursable meal, they represent opportunities to provide service to the school district population.

In general, school food service account funds may be legitimately used to provide for expanded program activities, including the purchase of food items and supplies, use of commodities, and labor. The charge to the customer for these activities must cover all costs involved in providing the service. All revenues from these sales must accrue to the food service account. Regulations and guidelines pertaining to these activities must be

implemented by the SFA, and may be found in the following sections of this manual:

Section 5: Meal Pricing

Section 6: School Food Service Funds

Section 14: Competitive Food Policy

Section 18: USDA Donated Foods

Non-Program Activities

Examples of non-program activities include, but are not limited to:

- competitive foods sold in the cafeteria by other school organizations;
- vending machines owned, stocked, and operated by the school district;
- catering services provided to groups with no students in attendance at the meeting catered; and
- meal services provided to outside groups.

Examples of "outside groups" include:

- Elder Care Services,
- Preschool or Daycare Programs not operated by the school district,
- outside adult groups meeting on or off district property such as the Rotary Club, and
- outside businesses located close to the school with employees in need of meal services.

Non-program activities may never be supported by funds from the food service account. Regulation 7CFR210.14(a) stipulates "that revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service..." There are no exceptions to this requirement. This requirement extends to

Important Point!

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the use of any foods provided through the food service account, regardless of where they may be sold. Therefore, should the school district decide to participate in non-program activities, this may only be done through a full cost accounting system that excludes the use of program food items, commodities, supplies, or labor.

Because non-program activities are not supported by or operated from the school food service account funds, revenues from these activities could accrue to the school or its approved student organizations.

Additional guidance on this topic may be found in the following sections of this manual:

Section 5: Meal Pricing

Section 6: School Food Service Funds

Section 14: Competitive Food Policy

Section 18: USDA Donated Foods

Revenue Sharing

The regulations allow the school food service to enter into profit-sharing arrangements with approved school organizations. However, these arrangements must ensure that the nonprofit food service account

- is reimbursed for all costs incurred “up front”,
- receives its pro-rata share of the profits, and
- is not harmed in any way by the activity.

The Southeast Regional Office (SERO) of the United States Department of Agriculture (USDA) has determined that revenue sharing requires the school food authority to have an accurate and auditable full cost accounting system to track and allocate both direct and indirect costs and revenues, and that the nonprofit food service be insulated from the possibility of a loss on the venture. Because SERO has overriding concerns in protecting the quality of meals served to children, they require State Agencies that allow profit-sharing arrangements to:

- certify that the school food authority’s accounting system is capable of appropriately tracking and attributing costs and revenues;
- certify that the nonprofit food service will be protected from losses from the venture(s); and
- monitor these situations and systems closely to ensure that the nonprofit food service is protected.

SFAs sharing revenue under this practice are audited for the above requirements through the single audit mechanism.

Auditing of Shared Revenue Canteen Operations

The single audit protocol requires auditors to ascertain that:

- all canteen operations managed by the school food service program are operated strictly on a vending-type arrangement, where all cost incurred plus profit must be taken “up front” monthly by the school food service acting in the capacity of vendor. This includes all vended products, prepackaged, and prepared foods.
- once the initial vending has occurred and “up front” charges are taken, no assets have been transferred from the Pupil Activity Fund back to the School Food Service Fund. Ensure that no splitting of

profits, predetermined or otherwise, is occurring in this type of operation.

- all school food service costs incurred in vending to the canteen operation for purchased food, supplies, and USDA commodities are not reflected on the reimbursement claim.
- all profits received from managing the canteen operation by the school food service program are posted in the General Ledger under account number 1992 and reported on the monthly claim under "Other: Local Revenue."
- the Canteen Fund is closed to the Pupil Activity Fund at year-end.

Charter Schools

State law allows the State Board and local Boards of Education to approve public-funded charter schools. Although charter schools are exempt from many state laws and regulations, they are not exempt from federal regulations regarding the Child Nutrition Programs. If the charter school decides to participate in the National School Lunch, Afterschool Snack, and/or School Breakfast Programs, it must follow all program regulations pertaining to the respective program.

To participate a Charter School must be treated as a cafeteria site under the program Application and Agreements approved for the local school food authority or district. All required program regulations and requirements apply with the school district responsible for claiming and receiving Federal reimbursement.

Release of Leftover School Lunch Food to Nonprofit Organizations to Feed the Needy

The USDA has revised its policy concerning the release of leftover food to charitable nonprofit organizations in the community. School districts may now release leftover food from their School Lunch and Breakfast Programs to charitable nonprofit organizations under the following conditions:

1. Good meal production planning is followed to ensure that one meal per student is produced.
2. The leftover food cannot be used in the food-service program and would otherwise be thrown away.
3. State and local health codes are followed.
4. There is an agreement on file at the school district between the district and the nonprofit organization that includes at a minimum: terms of the agreement; duties of the district; duties of the contractor; nondiscrimination; contractor not an officer, employee or agent of the district; liability; hold harmless and indemnification; and certification of liability insurance.

Form 1 Section 19 provides a prototype agreement containing the necessary provisions. A full size form for printing may be found in Section 27. Provisions which must be included in an agreement follow.

Form 1 Section 19 Prototype Contract for Release of Leftover Food

Agreement

THIS AGREEMENT is made and entered into this _____ of _____, between _____, hereinafter referred to as the "Contractor," and _____, hereinafter referred to as the "District."

WHEREAS the Contractor is a nonprofit agency qualified to distribute food to needy persons in the community.

The parties hereby agree as follows:

1. Terms—This Agreement is effective upon execution and shall remain in effect until terminated by the parties hereto. Either party may terminate this Agreement by providing the other party five (5) days advance written notification, delivered to its last known address.
 2. Duties of the District—The District shall make available to the Contractor at no cost and on a nonexclusive basis leftover food items from the District's foodservice operation, for which the District has determined it has no further use.
 3. Duties of the Contractor—The Contractor shall pick up the food items at times and places mutually agreeable to the parties as specified in Paragraph 9 below, transport them as necessary, and provide them at no cost to needy persons, all in a manner that complies with applicable laws and regulations.
 4. Nondiscrimination—Neither party shall employ discrimination practices in its performance hereunder on the basis of race, color, religion, national origin, ancestry, gender, religion, age or physical or mental disability.
 5. Contractor not an Officer, Employee or Agent of the District—While engaged in performance of this contract, the Contractor is an independent contractor and is not an officer, employee or agent of the District.
 6. Liability—The District shall not be liable to the Contractor for personal injury or property damage sustained by the Contractor in the performance of this contract, whether caused by the District, its officers, employees or by third persons.
 7. Hold Harmless and Indemnification—The Contractor agrees to release, discharge, indemnify, defend and hold harmless the District, its employees and agents for all illness, injury or damage to persons or property which may arise out of the activities covered under this Agreement, including the transportation, distribution, use or consumption of food items, irrespective of any negligence on the part of the District.
- Furthermore, the Contractor agrees to defend and fully indemnify the District from any and all liability, loss or damage the District or its agents or employees may suffer as a result of claims, demands, costs, penalties, litigation or judgments against it arising from any and all illness, injury or damage to any person, persons or property caused by or resulting from the activities covered under this Agreement, including the transportation, distribution, use or consumption of food items.

8. Insurance—The Contractor shall carry sufficient general liability insurance to protect itself, its employees and agents against all such claims (referenced in Paragraph 7, above) arising under this Agreement, and to indemnify and defend the District.
- Contractor shall provide the District with certificate(s) of insurance acceptable to the District's Contracts Supervisor, specifying that the District is to be given written notice thirty (30) days in advance of any modification to or termination of coverage.
- The Contractor's insurance carrier is _____, Policy No. _____
9. Delivery—Contractor shall take delivery at the following location(s):

CONTRACTOR:

BY: _____

Title

DISTRICT:

BY: _____

Contracts Supervisor

Duties of the District

The district shall make available to the contractor at no cost and on a non-exclusive basis, leftover food items from the district's foodservice operations for which the district has no further use.

Duties of the Contractor

The contractor shall pick up the food items at times and places mutually agreeable to the parties specified in the paragraph on delivery, transport them as necessary, and provide them at no cost to needy persons, all in a manner that complies with applicable laws and regulations.

Liability

The district shall not be liable to the contractor for personal injury or property damage sustained by the contractor in the performance of this contract, whether caused by the district, its officers, employees, or by third persons.

Hold Harmless and Indemnification

The contractor agrees to release, discharge, indemnify, defend and hold harmless the district, its employees and agents for all illness, injury or damage to persons or property that may arise out of the activities covered under this agreement, including the transportation, distribution, use or consumption of food items, irrespective of any negligence on the part of the district.

Furthermore, the contractor agrees to defend and fully indemnify the district from any and all liability, loss or damage the district or its agents or employees may suffer as a result of claims, demands, costs, penalties, litigation or judgments against it arising from any and all illness, injury or damage to any person, persons or property caused by or resulting from the activities covered under this agreement, including the transportation, distribution, use or consumption of food items.

Insurance

The contractor shall carry sufficient general liability insurance to protect itself, its employees and agents against all such claims (referenced in paragraph on Hold Harmless & Indemnification)

arising under this agreement and to indemnify and defend the district. Contractor shall provide the district with certificate(s) of insurance acceptable to the district's contracts supervisor, specifying that the district is to be given written notice 30 days in advance of any modification to or termination of coverage.

Delivery

Contractor shall take delivery at the specified location(s).